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SUBJECT: ECONOMIC REPORT - AUG 28 THROUGH SEPT 3

¶1. Summary. Prices are stable with the exception of food items, which registered a 7 percent increase. Exchange rates remain stable. Adastrra Minerals is seeking to become a major metals producer in the region. Bindura Nickel Corporation (BNC) and Gecamines are in advanced negotiations for a joint nickel production venture. The GDR signed memoranda of understanding with the governments of both Zimbabwe and South Africa. The ICRC provided new pumps to Regideso in Kisangani to ensure a supply of running water for the city. The World Bank has approved the release of USD 60 million for infrastructure and socio-economic capacity building projects throughout the DRC.

MONETARY AND PRICE UPDATE

¶2. Prices remain stable aside from a significant increase in food costs, which rose 7 percent for the week ending on August 27. The cost increase may be due to merchant price gouging in attempts to cover school fees for the upcoming academic year. School fees typically strain the budget of the average Congolese household.

¶3. Exchange rates remain stable with bank rates hovering at over FC 390 to 1 USD. Parallel market rates remain within an FC 5 band above or below the official rate. Rates in the eastern provinces remain slightly elevated.

MINING

ADASTRA SEEKS TO EXPAND OPERATIONS, SIGNS WITH UMICORE

¶4. International press reported Adastrra Minerals (aka America Mineral Fields) COO Bernard Pryor as stating that the company is seeking to become a major metals producer in the region. The company has already signed a joint venture agreement with Gecamines for a copper/cobalt tailings project at Kolwezi, and recently awarded the contract for the project feasibility study. Adastrra also reported that it has signed a long-term supply agreement under which Umicore will purchase cobalt to be produced from the Kolwezi project. Additionally, Adastrra is involved in a joint venture with Gecamines to resume activity at the DRC's Kipushi zinc mine, which has been closed for a decade but could be operational again by 2006. Adastrra intends to extract zinc from Kipushi for processing in South Africa.

BNC AND GECAMINES IN ADVANCED NEGOTIATIONS

¶5. International press reported that Bindura Nickel Corporation (BNC) chairman Kalaa Mpinga said his firm is finalizing a joint venture agreement with Gecamines for a nickel production project in the DRC. BNC was acquired last year by Mwana Africa Holdings and is listed on the Zimbabwe Stock Exchange.

FOREIGN INVESTMENT

ZIMTRADE ABANDONS WAREHOUSE PROJECT

¶6. Local press reported that Zimtrade, Zimbabwe's struggling parastatal trade promotion body, has abandoned its plans to construct warehousing facilities for Zimbabwean companies in the DRC. Several Zimbabwean business ventures will reportedly be jeopardized by the project's cancellation.

ECONOMIC COOPERATION

DRC AND ZIMBABWE SIGN MEMORANDA OF UNDERSTANDING

¶7. International press reported that the DRC and Zambia have signed several memoranda of understanding relating to commerce, energy, and mining. DRC Minister of Regional Cooperation Mbusa Nyamwisi signed the agreements with Zimbabwean Foreign Minister Stan Mudenge. Specifically, the memoranda are intended to improve road transportation between the two countries, harmonize their mineral exploration operations, and resolve a dispute over electrical power sold to Zimbabwe by DRC energy parastatal SNEL.

DRC AND SOUTH AFRICA TO INCREASE COOPERATION

¶8. As part of South African President Thabo Mbeki's attempts to safeguard the transition process in the DRC, delegates from the two countries met during Mbeki's recent DRC visit to discuss matters of economic cooperation. Press reported that the meetings resulted in the signing of an agreement on health matters, a memorandum of understanding on economic cooperation, and an agreement for the reciprocal protection and promotion of investment.

INFRASTRUCTURE

ICRC PROVIDES PUMPS TO REGIDESO IN KISANGANI

¶9. The ICRC has delivered ten pump units to Regideso in Kisangani to replace failing pumps installed in 1982. The pumps will be used to filter and chemically treat Kisangani's water supply. Installation of the pumps will boost Regideso capacity and allow it to supply nearly all of Kisangani's 600,000 residents with running water.

AID

WORLD BANK APPROVES USD 60 MILLION GRANT

¶10. The World Bank approved the release of USD 60 million to aid demobilization, social capital building, and infrastructure-related projects in the DRC. The money will be distributed to provincial and local government agencies and NGOs.

¶11. INFLATION BY CATEGORY (IN PERCENT)

WEEK ENDING	8/6	8/13	8/20	8/27
FOOD	-1	-2	0	7
BEVERAGE	0	0	0	0
NON-FOOD	0	0	-1	0
CLOTHING	0	0	0	0
RENT	0	0	0	0
TRANSPORT	0	0	0	0
SCHOOL COSTS	0	0	0	0
UTILITIES	0	0	0	0
COMBINED FIGURES				
WEEKLY INFLATION	-0.2	-0.6	0.0	2.6
MONTHLY INFLATION	-0.2	-0.8	-0.8	1.7

¶12. EXCHANGE RATE DEVELOPMENTS

	8/6	8/13	8/20	8/27
CENTRAL BANK RATE	389.115	390.175	390.594	392.045
PARALLEL MARKET				
-KINSHASA	385-390	385-390	385-390	390-395
-LUBUMBASHI	380-385	380-385	380-390	380-390
-MBUJI MAYI	380-385	385-390	385-390	385-395
-KISANGANI	375-385	375-385	380-390	380-390
-GOMA	400-410	400-410	400-410	400-410
-BUKAVU	400-410	400-410	400-410	400-410

MEECE